



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Pete T. Cenarrusa, Secretary of State

Alan G. Lance, Attorney General

J. D. Williams, State Controller

Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting May 14, 2002

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, May 14, 2002 in Boise, Idaho. The meeting began at 9:10 a.m. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Pete T. Cenarrusa
Honorable Attorney General Alan G. Lance
Honorable Controller J. D. Williams
Honorable Superintendent of Public Instruction Marilyn Howard
Secretary to the Board Winston A Wiggins

• **CONSENT AGENDA**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Secretary of State Cenarrusa to approve the Consent Agenda in its entirety. Attorney General Lance seconded the motion. The motion carried on a vote of 5-0.

1. **Director's Report – approved**

- A. Bureau of Minerals Official Transactions – April 2002
- B. Bureau of Real Estate, Land Sale Section, Official Transactions – April 2002
- C. Bureau of Real Estate, Easement Section, Official Transactions – April 2002
- D. Timber Sale Official Transactions – April 4, 2002 through April 30, 2002
- E. Timber Sale Activity Report – April 2002

2. **Approve Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved**

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|---------------------|-----------|----------------------|
| A. Basin Pole | CR-3-0464 | 765 MBF / 171,460 LF |
| B. Gateway OSR | CR-3-0471 | 5,235 MBF |
| C. Circus Pole | CR-3-0479 | 755 MBF / 202,990 LF |
| D. Cabin Patch Pole | CR-4-0762 | 490 MBF / 107,220 LF |

3. **Request for Approval of the Property Acquisitions to Complete the Exchange between the Idaho State Board of Education and the Idaho Department of Lands – Staffed by Perry A. Whittaker, Chief, Bureau of Real Estate – approved**

DEPARTMENT RECOMMENDATION: That the board direct department staff to identify and acquire those parcels suitable for exchange to complete the exchange with the ISBE. Upon completion of inspections, appraisals and mutual agreement on values, ISBE and IDL will negotiate acquisition of those parcels needed to complete the exchange with ISBE in Idaho Falls pursuant to Idaho Code § 58-156. Land Bank funds would only be utilized if needed to balance out the overall transaction.

BOARD ACTION: Approved.

- **REGULAR AGENDA**

4. Endowment Fund Investment Board Manager's Report – *Presented by Charles G. Saums, Manager of Investments, EFIB, Dr. Nick Hallett, Chairman, Endowment Fund Investment Board, Susan Tamagni, RBC Dain Rauscher, and Valerie Petrone, RBC Dain Rauscher*

Ms. Susan Tamagni, RBC Dain Rauscher. Ms. Tamagni provided a recap of the original asset allocation and supporting manager selection. The Endowment Fund Investment Board, in an effort to assure a complete understanding of all of the variables inherent in the implementation of the prescribed investment reform, contracted with QInsight, an independent research firm, to develop a formal spending policy that would best achieve the optimal beneficiary distribution for the long term. QInsight completed the spending policy after a lengthy and complete analysis of the sources. Based on historical analysis, the lands afforded an opportunity to accept additional volatility. QInsight recommended a 70% equity and 30% fixed income allocation. The resulting diversified style allocation and manager choice was implemented in the first half of Fiscal 2001.

On a short-term basis neither the equity nor the fixed income markets came close to the time-tested target return and, simultaneously, land assets and revenue declined dramatically. The problem was a market problem and not a management problem. Ms. Tamagni feels confident that on a long-term basis the selected managers will perform well.

DISCUSSION: Controller Williams asked Ms. Tamagni what the net gain to the Fund would have been if the board had chosen passive use of the index fund instead of active management. Ms. Tamagni responded that you do not know until you choose your passive products and try to go back to see how they might have performed. On average it costs an additional 25 basis points to use active management. Passive products run, for some of the specialized passive products, between 25 and 35 basis points.

(Ms. Valerie Petrone, RBC Dain Rauscher, joined the discussion.) Ms. Petrone stated that three issues surround the choice between active and passive management. Those issues are the cost difference, the return difference and the risk difference. Return differences can be seen through any disparity between what active managers do and what the index does. The cost difference on average tends to be 25 basis points. The risk difference is where the right balance is determined. Additional risk is assumed with passive products, but 25 basis points can be saved. From a return standpoint you should match the index. Whether that is for better or for worse is where risk comes into play.

Controller Williams stated he would still like to see the information. He suggested using the current indexes as benchmarks. Ms. Tamagni stated that would not be an accurate representation of the cost differences because the relative index, and the product you might choose to help you replicate that index, could have disparities. She stated that it is very difficult to find a passive product that would accurately mimic the index. However, Ms. Tamagni stated she would endeavor to provide the information as requested and she would make it clear what the relative assumptions are.

Ms. Petrone discussed how managers are selected, the research completed and what is done on an ongoing basis to ensure that managers continue to perform to expectations. She also discussed what is done should there be a need to review, to evaluate or to put a manager "on watch." There are currently eight managers managing assets on behalf of the Endowment. Evaluations are completed on a quarterly basis.

DISCUSSION: Attorney General Lance asked if there was any intention to terminate some of the manager contracts in June. To clarify, Governor Kempthorne asked Mr. Saums if it is correct that in June all of the managers will be reviewed and there is the potential that some changes may be made. Mr. Saums stated that is correct.

Governor Kempthorne commented that the worst case scenario has occurred in the stock market. At the board's last meeting, Mr. Bob Maynard of PERSI indicated that it was probably the worst market in 50 years. Governor Kempthorne asked if this is a condition of the times and the economy or does it indicate a need for a change. Mr. Saums responded that a review of manager performance will be conducted. Along with that review, managers will be scrutinized to confirm that they are sticking with their particular style. After the review, recommendations will be made.

No action was taken on this agenda item.

5. Final Approval to Complete the Acquisition of Land from the Dry Creek Cemetery Maintenance District ("Dry Creek") for the Idaho Veterans Cemetery – Presented by Jay Biladeau, Assistant Director, Lands, Minerals, Range and Kent Nelson, Deputy Attorney General – approved

DEPARTMENT RECOMMENDATION: That the board direct the Department of Lands to complete the purchase of the Dry Creek property and eleven (11) Boise Valley Irrigation Ditch Company water shares for the purchase price of \$100,000.00.

DISCUSSION: In introducing this agenda item, Governor Kempthorne made special note of the number of Veterans in the audience. The Governor went on to thank the Veterans for their service to the country and to the State of Idaho. Governor Kempthorne commented that this particular acquisition was outlined in his Year 2000 State of the State message. Idaho is one of the few states remaining, if not the only state, that does not have a final resting place that is federal/state supported for Veterans. He believes Idaho is on the verge of correcting that now.

Attorney General Lance thanked Governor Kempthorne for his support on this project. Representative Fred Tilman was instrumental in putting together legislation necessary to make all of the pieces fit along with Kent Nelson, Julie Weaver, Corey Cartwright and fellow Veterans. Speaking on behalf of Secretary of State Cenarrusa and himself, Attorney General Lance hoped members of the Land Board would vote in favor of this agenda item.

AUDIENCE WITH THE BOARD

Mr. Richard W. Jones, Administrator, Idaho Division of Veterans Services, was granted an audience with the board.

Administrator Jones. Administrator Jones expressed appreciation to the Land Board. The past six months has been an interesting process. The Homes are facing challenges in addressing Medicaid certification, surveys, staffing and other issues. This past January, the Senate Survey Team Inspectors commented that this is the best they have seen the Homes look in years.

Administrator Jones met with Governor Kempthorne last October and, at that time, Governor Kempthorne commented that Idaho is the only state in the country that does not have a national or state Veterans' cemetery. The Governor went on to point out some of the difficulties that the development had encountered, such as slope, access, water, etc. Administrator Jones stated he perceived those difficulties as a challenge.

Last October the original plan was for the federal VA to fund the design development and construction of the cemetery in the amount of approximately \$7 million. In working closely with Washington, D.C., the dollar amount of the 100% grant increased from \$7 million to over \$8.5 million. This is a non-match totally federal grant. After construction of the cemetery it is worth noting that the VA will also pay for headstones, as well as \$300 per burial, to assist the state in defraying operational costs.

Administrator Jones expressed his appreciation to the following individuals: Representative Fred Tillman for being the original sponsor of House Bill 428; Representative Ruby Stone for moving the Bill through her Committee; Senator Clyde Boatwright for picking up the torch in the Senate; the members of the Joint Finance and Appropriations Committee for recommending funding; and Joni Harkless, Julie Weaver and Mitch Jaurena of the Division for a job well done. He thanked Governor Kempthorne for his assistance and referred to Governor Kempthorne as the "Veterans' Governor." In addition, he thanked all of the other people who have worked very hard on this project for a long time.

BOARD ACTION: A motion was made by Secretary of State Cenarrusa to accept the department's recommendation. Attorney General Lance seconded the motion. The motion carried on a vote of 5-0.

6. WestRock – Presented by Jay Biladeau, Assistant Director, Lands, Minerals, Range and Kent Nelson, Deputy Attorney General

DEPARTMENT RECOMMENDATION: That the board direct the department to (1) forward the draft lease to WestRock for full execution by signature, provision for bonding and tendering of the required initial lease

payments and (2) upon full lease execution, reclassify the lands included in the lease from timber production to recreational use as the primary use.

DISCUSSION: Attorney General Lance thanked Assistant Director Jay Biladeau and Deputy Attorney General Kent Nelson for the many hours spent on this project. He commented that the board has been dealing with this issue for approximately three or four years. He asked if in that timeframe anyone had come forward relative to the lease of this property with a better deal. Mr. Biladeau responded no. Attorney General Lance then asked if this is the best deal on the table right now for return to the endowed institutions. Mr. Biladeau stated that is correct. Attorney General Lance asked if the rate schedule as proposed is better or worse than what the Forest Service gets on ski resorts. Mr. Biladeau stated that this proposal would result in more money than the Forest Service would get.

Governor Kempthorne asked Mr. Biladeau for the amount of income currently being derived from the property and how much the Endowment would receive if the lease is approved. Mr. Biladeau stated the property is currently classified for timber production as a primary use. A portion of the land is leased for grazing, which provides a small amount of money to the Endowment. From a timber production standpoint, and based on the prevailing timber market, the land will produce approximately \$44,000 annually. Under the proposed lease, the base rent for the first five years is \$200,000 per year. That rate will increase to \$250,000 from year six to year ten. In year eleven, the board will have the option to go to a percent of gross receipts. If WestRock is successful, it would be in the board's favor to go to a percentage. It can be anticipated that more than the base rent will be made, but the rent will never be below the \$200,000 base rent.

Governor Kempthorne commented that the public hearing held a few months ago was both extensive and beneficial. Anyone having something to say about this issue had an opportunity to do so. Governor Kempthorne was impressed with the consultants and with the team assembled by WestRock. He was impressed with agencies and with the presentations by each of the state agency heads identifying areas of concern or suggestions on how to proceed. He feels the document presented today reflects a great deal of that effort. He is mindful that the board's vote is on whether or not to extend the lease to WestRock. The board's responsibility lies with generating revenue for the Endowment Fund. The figures cited – \$44,000 versus \$200,000 per year and years six through ten at \$250,000 per year – represent the focus for the board. There are, however, other affiliated issues that need to be addressed.

- **Roads and Infrastructure**

Idaho Transportation Department (ITD). ITD is in the process of finalizing a Memorandum of Understanding with WestRock. \$600,000 will be paid to ITD by WestRock, which is 100% of the current estimated projected costs for the Donnelly intersection.

Valley County. Valley County will receive 30% of the cost of improvements to access roads currently estimated to result in a \$3 million WestRock contribution to the county.

Idaho Department of Environmental Quality (IDEQ). IDEQ will be involved in extensive on-site water quality monitoring during pre-construction, construction and post-construction. WestRock will pay IDEQ \$250,000 to cover those costs.

Schools Mitigations to cover funding shortfalls between the arrival of a WestRock student, whose parents live or work on site, and the district's receipt of new property tax revenue is an issue.

- **Cascade School District.** WestRock will make a contribution of \$7,000 to \$10,500 per new WestRock student with a non-refundable \$200,000 pre-payment. Valley County worked out a developmental agreement with WestRock and all of the service providers in Valley County. The Cascade School District made the request and is pleased with the agreement.
- **McCall-Donnelly School District.** McCall-Donnelly District will receive \$6,500 to \$9,750 per new WestRock student, together with \$325,000 for facilities upgrades.

Valley County General Fund. Valley County general fund will receive a contribution of \$525,000 to cover short term impacts on the Sheriff's Department, the court system, Planning and Zoning and other county departments.

Rural Fire and Emergency Services. Governor Kempthorne asked Valley County Commissioner Terry Gestrin if it is accurate that \$30,000 will be paid to the Donnelly Rural Fire Protection Association. Commissioner Gestrin stated that negotiations with WestRock are ongoing. However, WestRock is anticipating constructing their own facilities.

Idaho Department of Parks and Recreation (IDPR). IDPR has entered into a Memorandum of Understanding requiring WestRock to move, rebuild and improve five campgrounds impacted by the development.

Idaho Department of Fish and Game (IDFG). In discussing this matter with IDFG, there was a focus on a Habitat Conservation Plan (HCP). The HCP will require:

- Stream buffers in compliance with state Best Management Practices (BMPs) and federal laws;
- Creation of a 184-acre wildlife preserve for eagle nesting;
- Establishment of Poison Creek and Rock Creek water flows and temperatures;
- That WestRock provide \$150,000 for projects to improve habitat for fish and game;
- That WestRock maintain environmental insurance for hazardous substances brought on site;
- That WestRock have a vegetation and erosion control plan approved by the Department of Lands;
- That the state maintains authority to enforce all state and federal environmental laws. If WestRock will not comply with those laws, the Department of Lands has the authority to close the operation.

New Sewer System. The new sewer system will remove approximately 300 septic tanks. Removal of those septic tanks will give Valley County the opportunity to improve the infrastructure on the west side.

Governor Kempthorne stated all of the points listed are important points that came out of the 10-hour hearing held in February. However, while those issues are pertinent, it does not determine the vote before the board. The vote before the board centers on receipts to the Endowment. Governor Kempthorne has concerns for Valley County and for that region of the state. He feels that this project has the positive potential of generating jobs for Valley County and the surrounding areas.

Controller Williams asked Deputy Attorney General Nelson if, in the terms of the lease, the initial term would be ten years and legislative authority would be required to continue to the 49th year. It looks like the lease shows a 25-year way station so it goes from 10 to 25 and then there would be an option by the lessee to go another 24 years. Mr. Nelson stated that is correct. WestRock must be in compliance with the lease terms in order to exercise that option.

Controller Williams asked about liability. It was pointed out that environmental insurance deals only with hazardous waste problems that occur on the property. Natural occurrences would not be covered. He asked how bonding is affected by a natural disaster that results in runoff into the lake. Would the dollar limits of the bonds suffice to clean up the damage caused by a natural occurrence? Mr. Nelson responded that there are a couple of tiers of protections.

- **Tier 1.** The first tier is the ongoing application of applicable laws and regulations enforced by DEQ and the right of the board to enforce those laws and regulations. If there is runoff of significance from the property, those laws would apply and WestRock, as the tenant, would be under an obligation to follow those laws.
- **Tier 2.** The secondary tier of protection is bonding. The reclamation plan, required under this lease, will be a fluctuating, floating plan and a floating bond amount. The bond amount will vary based upon the construction activities and based upon the potential or need for reclamation in the event of a default. That bonding will be included in WestRock's plan and the obligations under that plan will also be bonded. In addition, there is performance bonding under the contract itself. The contract will require Best Management Practices, which are things that the department is well versed in monitoring. The application of Best Management Practices under the terms of the contract is also bonded under the performance bonding.

Governor Kempthorne asked Director Steve Allred, Idaho Department of Environmental Quality, to address the board on this topic.

Director Steve Allred, IDEQ. Director Allred reviewed the agreement that IDEQ is in the process of executing with WestRock. Essentially the agreement covers five major items.

1. WestRock is required to prepare an Environmental Management Plan for the entire project, not just for state lands. The Plan must be approached on an integrated basis and IDEQ has to approve the Plan.
2. An extensive set of air and water quality monitoring is required to start prior to the time that any activity takes place. IDEQ needs baseline information showing what conditions were in addition to data they already have on file. IDEQ will monitor during and after construction.
3. The Plan requires WestRock to appoint or hire two individuals for the project. The first is an Environmental Compliance Officer and the second is a Construction Compliance Officer. IDEQ will have frequent contact with and access to both of these individuals.
4. Perhaps the most important requirement in being proactive is that the Plan requires WestRock to include provisions in all of their contracts with regard to environmental performance. A violation of any environmental requirement or law is a reason for termination of the construction contract.
5. WestRock will pay IDEQ \$50,000 a year, for a total of \$250,000 over five years, for additional costs that IDEQ may have as a result of providing surveillance during the project. Again, this covers the whole project, not just the state lands, but the state lands are an integral part of the Plan.

Attorney General Lance commented that the board probably does not have these kinds of protections with the present lessee on the property. Director Allred stated the protections are there but they would be brought into play after the fact. What this does is provide a pro-active means of dealing with issues. In addition to this agreement, Director Allred stated that he has all of the laws that are granted, either by state law or by federal law, enabling him to react and take actions against any operation in the state. Director Allred believes this provides a pro-active means where IDEQ will make the judgments and insist that measures be in place prior to the time that there is a chance for damage to occur. In addition, IDEQ still has all of the authorities of state and federal law if something happens that is unanticipated.

Attorney General Lance stated that when this project began the Land Board told the developers to talk with the people in the county to see if they were receptive to the project. The developers followed up on what they said they would do in terms of working with the county and others. The board promised the developers a fair shake and, during the course of the negotiations, conversations and hearings that have been held, staff has performed marvelously in trying to reach some sort of a resolution.

When the federal government started to close the national forests a few years ago, they kept saying you can find other things to do, such as tourism and recreation and so forth. This project could create potentially 3,100 jobs in Valley County, which is a substantial number of jobs. It could generate \$84 million in property taxes for the county and \$94 million in state taxes. It could enhance the Endowment returns by about \$5.5 million. That is significant. Whether or not the project will be successful is not for the board to decide or judge. The board's job is to make a decision as to whether this project is the highest or best return that the board can come up with right now for the property owned by the landlord. As indicated previously, no one has come forward in the last four years with a better proposal, or a better offer, to provide more money to the endowed institutions and our schools and, for those reasons, Attorney General Lance stated he would move the adoption of the recommendations of the department. Secretary of State Cenarrusa seconded the motion.

Controller Williams commented that he had a statement he would like to make. He stated he has spent a great deal of time analyzing WestRock's proposal. He has worked with the principals and with the consultants. He understands that this is an important issue. Controller Williams stated that he formerly was a mayor and a prosecutor. He grew up in rural Idaho and he knows what is going on there. He realizes it is tough for the rural communities. He realizes that it is really tough in Valley County because of the timber situation. He believes that the developers have great intentions and that they have done their best to draft a good proposal. Everyone has worked very hard on this project. Controller Williams stated he has made up his mind four times one way or the other. However, he stated his concern is the insurance.

After reading the draft lease, Controller Williams feels his concern is another Mica Bay situation for the state. Mica Bay property owners want \$23 million from the state on Lake Coeur d'Alene because of a problem with the road and the Department of Transportation did the construction. The board has been dealing with the

Triumph Mine tailings problem and a couple of million dollars has been spent on that. Last week, one of Controller Williams' staff visited the West Mountain area and took pictures of a washout at Mudd Creek on the north end of the lake. The washout was pretty serious.

Controller Williams stated that he worries about the state's liability. The potential is profound but can the state accept the risk because of the trust and the money in the trust. Initially one of the key provisions was environmental insurance to protect the state and that apparently is cost prohibitive to make WestRock viable. Reasonable minds can differ but Controller Williams feels this is too big and the risks are too great for the return as it is drafted now.

Dr. Howard commented that this has been a difficult issue to sort out from a Land Board perspective because there are so many pieces. The project has pointed out the inter-relationship between the state and education, the environment and the economy. Another "e" might be added to that list and that is the overriding component of emotion, which has certainly colored every discussion. Emotions of fear and of hope have been expressed. When considering the Land Board's role in this matter, part of what the board is doing is trying to balance all of the pieces. We know we want to enhance the returns to our beneficiaries. We want to also anticipate, to the best of our ability, any problems that might arise in the future and the goal for anticipating would be to see what we can do to avoid or hold ourselves harmless against that potential. The difficulty with any type of insurance or protection is that you have to determine what a prudent person would do. How far should we go? What are our risks?

Dr. Howard commented that when we look at this issue, we always ask who we are dealing with and who do we trust. When it comes down to it, Dr. Howard places her trust with the State of Idaho and with the state agencies. She also places her trust with the people in Valley County, including the elected officials, because those are the people who care the most about the environment and the economy of the area. She hopes that discussions during the last four years have brought to the forefront the need for the people in Valley County to take ownership over the future of that county in relation to environmental protections so that things do not continue that might be detrimental to the area. She also placed her trust in the Land Board and in state government to be sure all of the information is accounted for and considered. Everyone has spent many hours reviewing this project. Dr. Howard stated she received many letters, both pro and con, and it appears the opinions are evenly split. Many of the letters dealt with emotion. Some of the letters talked about the economy and the environment.

Dr. Howard stated when we look at it, we have some dirt and we have some plants. We do not want the dirt to be damaged in a way that is going to compromise the future of the resource or harm the environment. Dr. Howard stated we have plants right now that we can harvest and she needs the assurance that we can put them back and still have a resource in the future if this project is not successful. Dr. Howard commented she is proud of the Department of Lands and the Land Board for the amount of attention and the amount of detail that has been attended to. The points that have been discussed today are far beyond what the public would be aware has been under discussion. Dr. Howard believes that all of those points were brought up and every one was addressed and it is her feeling that the board has followed the prudent man proposal. The board has done what it can. Safeguards have been put into place to the degree that is possible. No one knows what the future holds. Dr. Howard stated she wants to be sure the state is positioned so that whatever the future holds, the asset has been protected. She wants to be assured that the resource has not been damaged in a way that will be regretted in the future and that we can also try to maximize our return.

Secretary of State Cenarrusa referred to Sun Valley in 1936. He stated he saw a complete change in the county almost overnight when construction began. Those were the days of the Depression but the change made things better for the people of Blaine County. People had employment. It was a shot in the arm. The value of property went up. Prices in Sun Valley are still going up. If WestRock accepts the lease terms, Secretary of State Cenarrusa believes it will be a good deal for Blaine County and for the state.

Governor Kempthorne commented that the board's decision is based upon the Endowment. Right now the Endowment is earning approximately \$44,000 per year for timber on the state land. This is an opportunity where that dollar amount can be increased to \$200,000. And in the sixth year, that figure moves to \$250,000. The Attorney General asked the question – Has any other proposal come before the board in the last four years that would allow the board to enhance the money to the Endowment. The answer is no. \$44,000 versus \$200,000 and then \$250,000 annually. Plus a portion of this money will be paid up front if, in fact, WestRock agrees to the lease. That is the decision the board has to make. Governor Kempthorne stated he appreciates

that the board has to be aware of other attendant issues, but for the five members of the board who will cast a vote, that is what the board should focus on.

Governor Kempthorne went on to discuss economic development and diversification. In the debate about natural resources, we are often told we really need to look at tourism and recreation as alternatives. WestRock has provided the potential for that opportunity. Will WestRock be successful? Nobody can state that. Have they assembled an impressive team? Without question. If we could duplicate Sun Valley and place it in Valley County, would that benefit Valley County? The Governor believes that it would allow the state to enhance what is part of Idaho's tremendous asset and that is the outdoors. There are a number of positives that can occur as a result of the WestRock development.

There is a great potential for job creation. The tax base for the county is going to be enhanced for the state as well. Diversification of resources will occur for a county that needs some diversification of its economic activities. Environmental improvements will take place if this project goes forward. The sewer system for north of the lake will improve water quality. There will be a boost to the Endowment Fund. Public education will benefit through contributions to the local school districts. The potential of a four star, four season resort in Idaho is very positive. The destination spot will create tourism. Tourism will aid an economy that has declined through the close of mills. Habitat protection plans are in place now for the first time ever. WestRock is a model for future projects. The state is starting to develop a new model of how it is going to do business in the future. Hold this project up as a great example. The board has sent a message – "You want to do business with us? We're tough. We're going to protect our environment. There'll be no degradation. To the extent possible, we'll reduce risk. But come forward with your ideas and join us and make some very positive things happen."

The MOUs with agencies provide the state with protections from environmental degradation. The state is protected through the lease from financial and environmental failure. If for some reason the project does not go forward to completion, the state is in the driver's seat to determine whether or not the existing infrastructure will be kept in place. The lease fulfills the mandate of the board to maximize returns to the Endowment. There will be improvements to state and county roads. The state will hold a 70-acre enclave that is developable by the state. The state will draw money from timber sold from ski runs. The IDEQ MOU will create a new baseline of data to establish criteria for monitoring lake water quality.

Governor Kempthorne stated that we have before us now the opportunity for these entrepreneurs to do something spectacular. That is what we are asking them to do and we believe they can do it. The people of Valley County now have hope for some dynamic economic vitality. The stage is set and we hope that people will perform.

BOARD ACTION: A motion was made by Attorney General Lance to adopt the recommendations of the department. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 4-1, with Governor Kempthorne, Attorney General Lance, Secretary of State Cenarrusa and Superintendent Howard voting aye; Controller J. D. Williams voted nay.

- **At 11:00 a.m. a motion was made by Attorney General Lance to resolve into Executive Session. Controller Williams seconded the motion. The motion carried on a vote of 5-0. A short recess was taken before the start of the Executive Session. The Executive Session began at 11:15 a.m.**
- **EXECUTIVE SESSION**
- A. **To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [Idaho Code § 67-2345(1)(f)]**
- B. **To Consider Personnel Matters [Idaho Code § 67-2345(1)(b)]**
- **At 12:07 p.m. the board resolved back into Regular Session. No actions were taken by the board during the Executive Session.**

There being no further business to come before the board, the meeting adjourned at 12:07 p.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Pete T. Cenarrusa

Pete T. Cenarrusa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

The above-listed final minutes were approved by the State Board of Land
Commissioners at the June 11, 2002 regular Land Board meeting.